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PTO/SB/17 (07-05)

Approved for use through 01/31/2007. OMB 0651-0032

U.S. Patent and Trademark Office; U.S. DEPARTMENT OF COMMERCE

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Effective on 12/08/2004.

Fees pursuant to the Consolidated Appropriations Act, 2005 (H.R. 4818).

# FEE TRANSMITTAL For FY 2006

## Complete if Known

Application Number	09/253,014
Filing Date	February 19, 1999
First Named Inventor	Thomas G. Woolston
Examiner Name	
Art Unit	
Attorney Docket No.	

☐ Applicant claims small entity status. See 37 CFR 1.27

TOTAL AMOUNT OF PAYMENT (\$)  
200.00

## METHOD OF PAYMENT (check all that apply)

☒ Check ☐ Credit Card ☐ Money Order ☐ None ☐ Other (please identify): \_\_\_\_\_

☐ Deposit Account Deposit Account Number: \_\_\_\_\_ Deposit Account Name: \_\_\_\_\_

For the above-identified deposit account, the Director is hereby authorized to: (check all that apply)

☐ Charge fee(s) indicated below ☐ Charge fee(s) indicated below, except for the filing fee  
☐ Charge any additional fee(s) or underpayments of fee(s) under 37 CFR 1.16 and 1.17 ☐ Credit any overpayments

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## FEE CALCULATION

### 1. BASIC FILING, SEARCH, AND EXAMINATION FEES

Application Type	FILING FEES		SEARCH FEES		EXAMINATION FEES		Fees Paid (\$)
	Fee (\$)	Small Entity Fee (\$)	Fee (\$)	Small Entity Fee (\$)	Fee (\$)	Small Entity Fee (\$)	
Utility	300	150	500	250	200	100	
Design	200	100	100	50	130	65	
Plant	200	100	300	150	160	80	
Reissue	300	150	500	250	600	300	
Provisional	200	100	0	0	0	0	

### 2. EXCESS CLAIM FEES

#### Fee Description

	Fee (\$)	Small Entity Fee (\$)
Each claim over 20 (including Reissues)	50	25
Each independent claim over 3 (including Reissues)	200	100
Multiple dependent claims	360	180

Total Claims	Extra Claims	Fee (\$)	Fee Paid (\$)	Multiple Dependent Claims	
- 20 or HP =	x	=		Fee (\$)	Fee Paid (\$)

HP = highest number of total claims paid for, if greater than 20.

Indep. Claims	Extra Claims	Fee (\$)	Fee Paid (\$)
- 3 or HP =	x	=	

HP = highest number of independent claims paid for, if greater than 3.

### 3. APPLICATION SIZE FEE

If the specification and drawings exceed 100 sheets of paper (excluding electronically filed sequence or computer listings under 37 CFR 1.52(e)), the application size fee due is \$250 (\$125 for small entity) for each additional 50 sheets or fraction thereof. See 35 U.S.C. 41(a)(1)(G) and 37 CFR 1.16(s).

Total Sheets	Extra Sheets	Number of each additional 50 or fraction thereof	Fee (\$)	Fee Paid (\$)
- 100 =	/ 50 =	(round up to a whole number) x		

### 4. OTHER FEE(S)

Non-English Specification, \$130 fee (no small entity discount)

Other (e.g., late filing surcharge): Petition Fee under 37 C.F.R. 1.17(a) \$200.00

## SUBMITTED BY

Signature		Registration No. (Attorney/Agent)	Telephone (408) 376-6359
Name (Print/Type)	Jay B. Monahan		Date January 11, 2007

This collection of information is required by 37 CFR 1.136. The information is required to obtain or retain a benefit by the public which is to file (and by the USPTO to process) an application. Confidentiality is governed by 35 U.S.C. 122 and 37 CFR 1.14. This collection is estimated to take 30 minutes to complete, including gathering, preparing, and submitting the completed application form to the USPTO. Time will vary depending upon the individual case. Any comments on the amount of time you require to complete this form and/or suggestions for reducing this burden, should be sent to the Chief Information Officer, U.S. Patent and Trademark Office, U.S. Department of Commerce, P.O. Box 1450, Alexandria, VA 22313-1450. DO NOT SEND FEES OR COMPLETED FORMS TO THIS ADDRESS. SEND TO: Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.

If you need assistance in completing the form, call 1-800-PTO-9199 and select option 2.



## IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of: **THOMAS G. WOOLSTON**

**JON W. DUDAS**, Director of the United  
States Patent and Trademark Office

Application No.: 09/253,014

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**United States Patent and Trademark Office  
Customer Service Window, Mail Stop Petition  
Randolph Building  
401 Dulany Street  
Alexandria, VA 22314**

### **PETITION FOR ACCESS OR COPIES PURSUANT TO 37 C.F.R. § 1.14(h)**

Petitioner eBay Inc. ("Petitioner"), by the undersigned, hereby petitions the U.S. Patent and Trademark Office ("Patent Office") pursuant to 37 C.F.R. § 1.14(h),<sup>1</sup> for access to or copies of pending U.S. Patent Application Serial No. 09/253,014, filed on February 2, 1999, by Thomas G. Woolston ("014 divisional application"). This Petition has been served upon the Applicant, as evidenced by the attached Certificate of Service. The fee required by 37 C.F.R. § 1.17(g) is enclosed.

01/12/2007 JADD01 00000001 09253014

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200.00 OP

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<sup>1</sup> Rule 14 states in pertinent part that "[t]he Office, either *sua sponte* or on petition, may also provide access or copies of all or part of an application if necessary to carry out an Act of Congress or if warranted by other special circumstances." 37 C.F.R. § 1.14(h).



PTO/SB/21 (09-06)  
Approved for use through 03/31/2007. OMB 0651-0031  
U.S. Patent and Trademark Office; U.S. DEPARTMENT OF COMMERCE  
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## TRANSMITTAL FORM

(to be used for all correspondence after initial filing)

Total Number of Pages in This Submission

68

Application Number

09/253,014

Filing Date

February 19, 1999

First Named Inventor

Thomas G. Woolston

Art Unit

Examiner Name

Attorney Docket Number

### ENCLOSURES (Check all that apply)

<input checked="" type="checkbox"/> Fee Transmittal Form	<input type="checkbox"/> Drawing(s)	<input type="checkbox"/> After Allowance Communication to TC
<input checked="" type="checkbox"/> Fee Attached	<input type="checkbox"/> Licensing-related Papers	<input type="checkbox"/> Appeal Communication to Board of Appeals and Interferences
<input type="checkbox"/> Amendment/Reply	<input checked="" type="checkbox"/> Petition	<input type="checkbox"/> Appeal Communication to TC (Appeal Notice, Brief, Reply Brief)
<input type="checkbox"/> After Final	<input type="checkbox"/> Petition to Convert to a Provisional Application	<input type="checkbox"/> Proprietary Information
<input type="checkbox"/> Affidavits/declaration(s)	<input type="checkbox"/> Power of Attorney, Revocation	<input type="checkbox"/> Status Letter
<input type="checkbox"/> Extension of Time Request	<input type="checkbox"/> Change of Correspondence Address	<input type="checkbox"/> Other Enclosure(s) (please identify below):
<input type="checkbox"/> Express Abandonment Request	<input type="checkbox"/> Terminal Disclaimer	
<input type="checkbox"/> Information Disclosure Statement	<input type="checkbox"/> Request for Refund	
<input type="checkbox"/> Certified Copy of Priority Document(s)	<input type="checkbox"/> CD, Number of CD(s) _____	
<input type="checkbox"/> Reply to Missing Parts/Incomplete Application	<input type="checkbox"/> Landscape Table on CD	
<input type="checkbox"/> Reply to Missing Parts under 37 CFR 1.52 or 1.53	<b>Remarks</b>	

### SIGNATURE

Firm Name	eBay, Inc.		
Signature			
Printed name	Jay B. Monahan		
Date	January 11, 2007	Reg. No.	

### CERTIFICATE OF TRANSMISSION/MAILING

I hereby certify that this correspondence is being facsimile transmitted to the USPTO or deposited with the United States Postal Service with sufficient postage as first class mail in an envelope addressed to: Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450 on the date shown below:

Signature			
Typed or printed name		Date	

This collection of information is required by 37 CFR 1.5. The information is required to obtain or retain a benefit by the public which is to file (and by the USPTO to process) an application. Confidentiality is governed by 35 U.S.C. 122 and 37 CFR 1.11 and 1.14. This collection is estimated to 2 hours to complete, including gathering, preparing, and submitting the completed application form to the USPTO. Time will vary depending upon the individual case. Any comments on the amount of time you require to complete this form and/or suggestions for reducing this burden, should be sent to the Chief Information Officer, U.S. Patent and Trademark Office, U.S. Department of Commerce, P.O. Box 1450, Alexandria, VA 22313-1450. DO NOT SEND FEES OR COMPLETED FORMS TO THIS ADDRESS. SEND TO: Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.

If you need assistance in completing the form, call 1-800-PTO-9199 and select option 2.

**THE WOOLSTON PATENT APPLICATION FAMILY**

U.S. Patent Application No. 08/427,820 (“’820 application”) was filed in the Patent Office on April 26, 1995, naming Thomas Woolston as its sole inventor. As set forth in the attached ‘820 family tree (Exhibit A), and as the Patent Office can confirm, the ‘820 application is the parent of a family of patent applications that includes the ‘014 divisional application at issue in this Petition. Woolston assigned the rights to his claimed inventions to MercExchange, L.L.C. (“MercExchange”), a company which “does not practice its inventions and exists merely to license its patented technology to others.” *MercExchange, L.L.C. v. eBay Inc.*, 275 F. Supp. 2d 695, 712 (E.D. Va. 2003).

Four of the applications in the ‘820 family issued as patents. Three of those patents are the subject of litigation between MercExchange and Petitioner. On September 26, 2001, MercExchange filed suit against Petitioner and other parties alleging, *inter alia*, infringement of U.S. Patent Nos. 6,202,051 (“’051”), 6,085,176 (“’176”), and 5,845,265 (“’265”). See *MercExchange, L.L.C. v. eBay Inc.*, No. 2:01-736 (E.D. Va.). After extensive discovery, the district court granted in part and denied in part Petitioner’s motion for summary judgment as to the invalidity of the ‘051 patent, leaving only the ‘265 and ‘176 patents for trial. At the end of the trial, the jury concluded that Petitioner did not overcome the presumption that the ‘265 and ‘176 patents were valid and further determined that those patents had been infringed. On appeal, the Federal Circuit upheld the ‘265 infringement finding, invalidated the ‘176 patent, and reversed the District Court’s denial of a permanent injunction against the Petitioner. *MercExchange, L.L.C. v. eBay Inc.*, 401 F.3d 1323, 1326-30, 1338-39 (Fed. Cir. 2005). On May 15, 2006, the United States Supreme Court vacated the Federal Circuit’s

judgment and remanded the case for further proceedings. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006). Following this decision, the case is now with the District Court for further consideration of the injunction issue. In addition, the Patent Office is currently reexamining all three patents ('051, '176, and '265).

The '014 application at issue in this Petition is a divisional application that claims § 120 priority from Application Serial Nos.: 09/166,779; 08/554,704; and 08/427,820, the common family of the '051 and '176 patents asserted against the Petitioner. Because the issued patents claim priority to the '779, '704, and '820 applications, the file wrappers of these ancestral applications of the '014 divisional application are open for public inspection. *See* 37 C.F.R. § 1.14(a)(1)(iv), (v). Even though these ancestral applications of the '014 divisional application are open for public inspection, the file wrapper of the '014 divisional application is confidential. For the several reasons set forth below, the Petitioner respectfully requests access to or copies of the file wrapper of the '014 divisional application.

**THE DIRECTOR HAS BROAD DISCRETION TO  
GRANT ACCESS TO PENDING APPLICATIONS**

As a general matter, the Patent Office treats pending patent applications as confidential until they are published or patented. 35 U.S.C. § 122; 37 C.F.R. § 1.14. However, there are exceptions to this general tenet. For example, Title 35 U.S.C. § 122 and 37 C.F.R. § 1.14(h) authorize the Patent Office, either *sua sponte* or on petition, to provide access to all or part of a pending application if such access is “necessary to carry out an Act of Congress” or is warranted by other “special circumstances.” *Id.* Neither 35 U.S.C. § 122 nor 37 C.F.R. § 1.14(h) specifically define what constitutes sufficient

“special circumstances,” while the M.P.E.P. provides two examples of instances in which special circumstances “could be found,” such as the applicant using the application to interfere with a competitor’s business.<sup>2</sup> However, this list is not exclusive and the questions of what constitutes “special circumstances” for the purposes of this exception are left to the sound discretion of the Director. *See* 35 U.S.C. § 122; *see also Irons and Sears v. Dann*, 606 F.2d 1215, 1220 (D.C. Cir. 1979) (“The Patent Act simply is not a statute that requires nondisclosure in such a manner as to leave [n]o discretion on the issue.”) (citation and internal quotations omitted). Petitioner respectfully submits that such “special circumstances” exist in this case and that access or copies should therefore be granted.

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<sup>2</sup> The two examples are: (1) “where an applicant has relied upon his or her application as a means to interfere with a competitor’s business or customers” and (2) “where an attorney or agent of record in an application in which a provisional double patenting rejection is made does not have power of attorney in the copending application having a common assignee or inventor.” M.P.E.P. § 103 (V) (citations omitted). However, there is no suggestion that this is an exclusive list. In *In re Bogese*, 22 U.S.P.Q. 2d 1821, 1828 (Comm’r Pat. 1992), for example, the Commissioner noted that “continued failure to prosecute (e.g., respond to all the rejections set forth by the examiner) may be considered to be a special circumstance under 35 U.S.C. Section 122 that would cause the Commissioner to publish or otherwise make the subject matter of this application available to the public.”

**SEVERAL “SPECIAL CIRCUMSTANCES”  
WARRANT PETITIONER’S ACCESS IN THIS CASE**

1.

**Access Is Warranted Because Any  
Trade Secrets Contained In the ‘014  
Application Have Already Been Published**

In the Patent Office, application confidentiality is governed by 35 U.S.C. § 122:

CONFIDENTIALITY.— Except as provided in subsection (b), applications for patents shall be kept in confidence by the Patent and Trademark Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of an Act of Congress or in such special circumstances as may be determined by the Director.

35 U.S.C. § 122(a). Section 122 was enacted in 1952 to codify a rule of secrecy that existed in the Patent Office for generations. *See Sears v. Gottschalk*, 502 F.2d 122, 127-29 (4th Cir. 1974). Regardless of whether patent protection is ever granted, the underlying policy of this practice of confidentiality has been to ensure that an inventor is able to maintain trade secret rights in his or her invention. As one commentator stated, “the primary objective of the U.S. system of secrecy is to preserve a trade secret for the inventor until the patent is issued.” Paul A. Ragusa, *Note: Eighteen Months to Publication: Should the United States Join Europe and Japan By Promptly Publishing Patent Applications?*, 26 GEO. WASH. J. INT’L L. & ECON. 143, 148 (1992); *see also Sears*, 502 F.2d at 132 (“[O]ne of the purposes of the secrecy rule is to obviate the risk that, through publication, an applicant for a patent may lose rights arising under state trade secret law.”); *Lee Pharmaceuticals v. Kreps*, 577 F.2d 610, 616 (9th Cir. 1978)

(“The evident purpose of the confidentiality proviso is to prevent the patent laws from being frustrated by permitting inventors’ discoveries to become public knowledge before a patent is secured.”). Thus, under these laws of confidentiality, “[i]f a potential licensee hopes to use the ideas . . . he must deal with the inventor himself, unless the inventor chooses to publicize his ideas to the world at large.” *Id.* (citation omitted).

In the U.S. patent system, there is a tradeoff for an inventor—the inventor discloses an invention to the public, and thereby gives up trade secret protection, only to be given patent protection in return. If a patent is not granted and the application is abandoned, the inventor still has trade secret rights in the invention if the inventor has maintained the invention in secrecy.<sup>3</sup>

It is a basic legal tenet that trade secret protection is lost when a trade secret is published:

[A] trade secret may be lost through disclosure occurring in advertising, trade circulars, or in an analogous manner. For example, if the owner of proprietary data permits it to be published for government procurement purposes, absent express contractual or statutory protection he will forfeit his proprietary rights. Disclosure in a technical publication of sufficient detail and sequence as to permit one skilled in the art to devise the subject matter would appear to terminate secrecy. For that matter, publication of secret matter by way of photographs in annual reports will constitute unprotected disclosure, notwithstanding that the reports are not addressed to a technical audience.

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<sup>3</sup> As of November 29, 2000, patent applications are published at 18 months from filing unless the applicant requests otherwise and certifies to the Patent Office that it does not intend to pursue patent protection by filing an application in a foreign country, or under a multilateral international agreement, that requires publication of applications 18 months after filing. 35 U.S.C. § 122(b); 37 C.F.R. § 1.213(a); *see also* M.P.E.P. § 901.03. Trade secret protection is, thus, still available for U.S. applicants by forgoing pursuit of foreign patent applications.



1 Roger M. Milgrim, Milgrim on Trade Secrets § 1.05[2] (internal citations omitted); *see also* Milgrim § 1.03 (“[A] basis upon which to rule, as a matter of law, on the status of a claimed trade secret would be by some type of legally recognized ‘publication’ the result of which makes the claimed trade secret generally known or readily ascertainable.”). Because trade secret protection is lost when a trade secret is published, the possibility of maintaining trade secret protection for any inventions in the ‘014 divisional application was lost when the specification of the ‘014 divisional application was published in 1998 as U.S. Patent No. 5,845,265, as set forth below.

The ‘014 application claims priority to and is a divisional of the ‘779 application, which, in turn, claims priority to and is a continuation of the ‘704 application. In accordance with 35 U.S.C. §120 and 37 C.F.R. § 1.78, the ‘014 application can only receive the priority date of the ‘779 and ‘704 applications if any of the claimed inventions in the ‘014 application were disclosed in the ‘779 and ‘704 applications. Moreover, because the ‘014 application is not identified as a continuation-in-part application, it should be identical to the common disclosure of the ‘779 and ‘704 patent applications. Because the ‘704 application issued and was published on December 1, 1998, as U.S. Patent No. 5,845,265 (asserted against Petitioner), any claimed inventions in the ‘014 application that might have had trade secret status are now in the public domain, free for all to review. Thus when the ‘265 patent issued, the applicant gave up its rights to trade secret protection for anything described in the specification of the ‘014 application because that specification is identical to the specification of the ‘265 patent. The primary objective of the U.S. system of secrecy is to preserve a trade secret for the inventor if a patent does not issue. This primary objective was served during the time period between

the filing of the '820 application and the issuance of the '265 patent. Now that any trade secrets in the '014 application have been published, the objective of Section 122 is no longer served by maintaining the '014 application and its prosecution history in confidence. The Director should grant Petitioner access to or copies of the '014 file wrapper because any trade secrets contained in the '014 application were made public when the '265 patent issued.

2.

**Access Is Warranted Because MercExchange  
Is Using Its Applications To Interfere  
With Petitioner's Business And Customers**

The M.P.E.P. specifically identifies the situation “where an applicant has relied upon his or her application as a means to interfere with a competitor’s business or customers” as constituting “special circumstances” warranting access under 35 U.S.C. § 122 and 37 C.F.R. § 1.14(h). *See* M.P.E.P. § 103 (V). Although MercExchange has been found to exist only to license its patents and therefore does not directly compete with eBay—or any other company for that matter, MercExchange has nonetheless attempted for years to use '014 application and its family to interfere with eBay’s business and customers. This is evidenced by MercExchange’s: (1) agreement to sue eBay on “issued patents and granted patent applications;” (2) prior willingness to sue eBay on patent claims of questionable validity; (3) threatening representations to the media; and (4) statements made during prosecution of patent claims in the family of the '014 application. As discussed below, these activities constitute “special circumstances” that warrant access under 35 U.S.C. § 122 and 37 C.F.R. § 1.14(h).

eBay launched its web site in September of 1995. Two months after eBay's public launch, MercExchange filed the '704 continuation-in-part application, which expanded the description of the '820 parent application. As eBay gained popularity, MercExchange took notice of eBay's success and added new claims, specifically directed at eBay, to applications in the family of the '014 application. MercExchange then executed a "Patent Enforcement Agreement" with Aden Enterprises to enforce its "issued patents or granted patent applications" against eBay. *See* Exhibit B (S.Ct. JA 143-145: Patent Enforcement Agreement By and Between MercExchange, L.L.C. and Aden Enterprises, Inc.). Because MercExchange's agreement specifically targeted eBay as a defendant and addressed issued patents and patent applications, it unequivocally demonstrates MercExchange's intent to use the patent family, including the '014 application, to interfere with eBay's business and customers. On this basis alone, the Director is more than justified in granting Petitioner access to or copies of the '014 file wrapper.

Further, MercExchange's interference with eBay did not end, but rather started with the signing of the Patent Enforcement Agreement. After agreeing to sue eBay based on its patents and granted applications, MercExchange contacted eBay under the guise of offering to assist eBay with another dispute. Exhibit C (S.Ct. JA 307, 310-11); Exhibit D (S.Ct. JA 588-89); Exhibit E (S.Ct. JA 669-70); Exhibit F (S.Ct. JA 671-75); Exhibit G (S.Ct. JA 688-89); Exhibit H (S.Ct. JA 742-45); Exhibit I (S.Ct. JA 133-36); Exhibit B (S.Ct. JA 143-45). The parties met in June 2000 and MercExchange carefully avoided suggesting that eBay infringed its patents. Exhibit J (S.Ct. JA 681-82). Despite this, MercExchange held true to its prior agreement and sued Petitioner in September 2001.

MercExchange is currently interfering with Petitioner's business by asserting three issued patents in the '014 application's family against Petitioner. Petitioner has spent the past five years defending itself in federal court against one patent ('176) that the Federal Circuit invalidated and two others ('051 and '265) that are currently subject to rejections in reexamination. MercExchange's demonstrated willingness to sue eBay in accordance with its prior agreement evidences MercExchange's intent to use its patent family to interfere with eBay's business and customers.

Not only does MercExchange's continued enforcement of patents in the family of the '014 application interfere with Petitioner's business, MercExchange's continued pursuit of pending patent applications in the family of the asserted patents is also a threat to Petitioner's business and customers. Subsequent to filing suit against eBay on the '051, '176, and '265 patents, MercExchange represented to the media that its pending patent applications were a strategic threat to eBay and its customers. Exhibit K (Anitha Reddy, *Ruling Prompts EBay To Revise Earnings*, WASH. POST, Aug. 12, 2003 at E05 ("Woolston also said that he is confident MercExchange will eventually be able to sue eBay for infringing a patent related to online auction technology.")).<sup>4</sup> Based on MercExchange's prior agreement to sue eBay on "granted patent applications" and statements made to the press subsequent to filing suit against eBay, it is clear that MercExchange plans to continue using its pending applications as a means to interfere with Petitioner's business. As such, the Patent Office should grant Petitioner access to

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<sup>4</sup> See also Exhibit L (Kevin Kelleher, *eBay Must Relitigate Patent Injunction*, THE STREET.COM, Mar. 16, 2005 available at [http://www.thestreet.com/\\_tscs/tech/internet/10213583.html](http://www.thestreet.com/_tscs/tech/internet/10213583.html) ("The appeals court drove a stake through the heart of eBay's claims" said Woolston . . . . Asked if MercExchange would license its technology to eBay, Woolston gave an emphatic no. **'I don't give a damn about what eBay does next,'** he says.")) (emphasis added)).

the '014 application so that Petitioner can better address this current and future interference with its business.

Lastly, consistent with its prior agreement to sue eBay on granted patent applications, MercExchange has made representations to the Patent Office during prosecution that evidence its intent to pursue claims that cover eBay's business model.<sup>5</sup> In view of the foregoing it is eminently reasonable for the Petitioner to expect MercExchange to file additional, unwarranted suits in the event that the Patent Office decides to issue additional patents to MercExchange. Petitioner would like to avoid any future, improper allegations of infringement before it occurs. Without access to the '014 application, Petitioner may be unable to do so and will continue to suffer undue interference from MercExchange.

3.

**The Patent Office Can Employ Protective Measures As Necessary To Narrow The Disclosure**

Finally, this Petition does not seek access to any trade secret, proprietary, or protective order materials that, however unlikely, MercExchange might have submitted to the Patent Office during prosecution of the '014 application. However, if necessary, the

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<sup>5</sup> For example, in its Declaration and Supplemental Declaration filed under 37 C.F.R. § 1.132 during the prosecution of the '820 application and its later Complaint filed under 35 U.S.C. § 145, MercExchange likens its invention to eBay's sales system when it cites eBay's commercial success as evidence of the long felt need for its invention. Exhibit M (Declaration Under 37 C.F.R. 1.132 at ¶18 (citing eBay's Trailblazer Award win for its online auction model as evidence that ". . . the claimed invention has met with great commercial success and acclaim."); Supplemental Declaration Under 37 C.F.R. 1.132 at ¶4 ("The claimed invention's electronic market for used and collectable goods aspect has achieved great commercial success . . . Together, OnSale and eBay sold more than \$250 million in products in 1997 and expect to significantly contribute to the \$1 billion projected for 1998 online auction purchases.")) (citation omitted)).

Patent Office should use its discretion to fashion “protective measures” to limit the disclosure of any trade secret, proprietary, or protective order materials submitted during prosecution of the ‘014 divisional application, to the extent necessary. *Ideal Toy Corp. v. Tyco Indus., Inc.*, 478 F. Supp. 1191, 1193 (D. Del. 1979) (“Disclosure of file wrappers of pending and abandoned patent applications should be ordered when the necessity for disclosure outweighs the desirability of maintaining secrecy of data in the file wrapper, especially if protective measures can be fashioned to minimize intrusion or to prevent excessive dissemination of revealed material.”).

In fact, the established procedures of the Patent Office already safeguard confidential information of this nature. *See, e.g.*, M.P.E.P. § 724.01 (“The procedures set forth in the [M.P.E.P.] sections are designed to enable the Office to ensure as complete a file wrapper as possible while preventing unnecessary public disclosure of trade secrets, proprietary material, and protective order material.”); *see also* M.P.E.P. § 724.02 (detailing the method a party should use to submit trade secret, proprietary, and/or protective order materials to the Office); M.P.E.P. § 724.04 (covering Patent Office treatment and handling of trade secret, proprietary, and/or protective order materials); 37 C.F.R. § 102.9 (procedures to ensure that confidential or privileged trade secrets and commercial or financial information submitted by an applicant are exempt from public disclosure as required by the Freedom of Information Act (FOIA), 5 U.S.C. § 552(b)(4)). Thus, the Patent Office already has the authority and procedures to establish any necessary limitations on access to the ‘014 divisional application in order to protect any trade secret, proprietary, or protective order materials that may have been disclosed in the

application. Petitioner is obviously willing to accept any such appropriate limitation as long as its interest in protecting against the applicant's actions can be addressed.

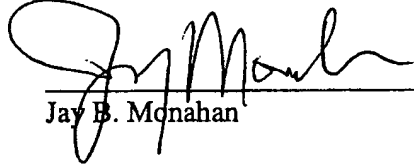
For the foregoing reasons, Petitioner respectfully requests that the Director grant Petitioner access to the '014 divisional application pursuant to 35 U.S.C. § 122 and 37 C.F.R. § 1.14(h).

Respectfully submitted,

Dated: January 11, 2007

EBAY INC.

By:



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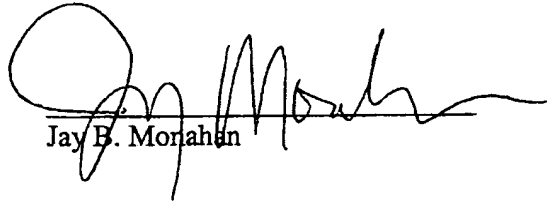
Jay B. Monahan

eBay Inc.  
2145 Hamilton Avenue  
San Jose, CA 95125  
(408) 376-7500

**Certificate of Service**

I hereby certify that on this 11th day of January, 2007, I caused a true and correct copy of the foregoing *PETITION FOR ACCESS OR COPIES PURSUANT TO 37 C.F.R. § 1.14(h)* to be served via mail to the following:

John C. Phillips, Esq.  
Fish & Richardson, P.C.  
12390 El Camino Real  
San Diego, CA 92130



Jay B. Monahan



Search results as of: 01-11-2007::10:15:22 E.T.

## Parent Continuity Data

Description	Parent Number	Parent Filing or 371(c) Date	Parent Status	Patent Number
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No Parent Continuity Data Found.

## Child Continuity Data

08/554,704	filed on 11-07-1995	which is Patented	claims the benefit of 08/427,820
09/166,779	filed on 10-06-1998	which is Pending	claims the benefit of 08/427,820
09/203,286	filed on 12-01-1998	which is Pending	claims the benefit of 08/427,820
09/253,014	filed on 02-19-1999	which is Pending	claims the benefit of 08/427,820
09/253,015	filed on 02-19-1999	which is Abandoned	claims the benefit of 08/427,820
09/253,021	filed on 02-19-1999	which is Patented	claims the benefit of 08/427,820
09/253,057	filed on 02-19-1999	which is Patented	claims the benefit of 08/427,820
09/264,573	filed on 03-08-1999	which is Patented	claims the benefit of 08/427,820
09/418,564	filed on 10-15-1999	which is Abandoned	claims the benefit of 08/427,820
09/556,653	filed on 04-24-2000	which is Abandoned	claims the benefit of 08/427,820
09/557,617	filed on 04-25-2000	which is Pending	claims the benefit of 08/427,820
09/644,857	filed on 08-24-2000	which is Abandoned	claims the benefit of 08/427,820
09/670,561	filed on 09-27-2000	which is Abandoned	claims the benefit of 08/427,820
09/670,562	filed on 09-27-2000	which is Pending	claims the benefit of 08/427,820
09/779,551	filed on 02-09-2001	which is Pending	claims the benefit of 08/427,820
10/740,151	filed on 12-17-2003	which is Pending	claims the benefit of 08/427,820
10/824,322	filed on 04-13-2004	which is Pending	claims the benefit of 08/427,820
90/006,956	filed on 03-08-2004	which is Pending	claims the benefit of 08/427,820
90/006,957	filed on 03-08-2004	which is Pending	claims the benefit of 08/427,820
90/006,984	filed on 03-29-2004	which is Pending	claims the benefit of 08/427,820
90/008,362	filed on -	which is Pending	claims the benefit of 08/427,820
PCT/US96/06205	filed on 04-26-1996	which is Pending	claims the benefit of 08/427,820

[Close Window](#)

**EXHIBIT B**

**eBay Inc. v. MercExchange L.L.C.-S.Ct. JA 143-145**

**Patent Enforcement Agreement Between MercExchange and Aden Enterprises**

PATENT ENFORCEMENT AGREEMENT BY AND  
BETWEEN MERCEXCHANGE, L.L.C.  
AND ADEN ENTERPRISES, INC.

WHEREAS, MercExchange, L.L.C. ("MercExchange") believes that it has claims arising under the patent laws of the United States against certain entities whose products and/or services infringe issued patents or granted patent applications ("the MercExchange Patents"); and

WHEREAS, Aden Enterprises, Inc. ("Aden") has acquired an inclusive license within a field of use under the MercExchange Patents, and certain additional license rights pursuant to an Option Agreement entered into as of January 7, 2000, by and between Aden and MercExchange; and

WHEREAS, Aden has an equity ownership interest in MercExchange pursuant to a Capital Common and Sale Agreement entered into as of Oct. 30, 1999 and

WHEREAS, MercExchange and Aden, therefore, have common, annual and substantial interests in the enforcement of the MercExchange Patents, and desire to enforce their respective rights against one or more Infringing Parties ("enforcement proceedings"), including any possible licensing settlement, compromise or litigating and

NOW, therefore, for good and valuable consideration, receipt of which is hereby acknowledged, MercExchange and Aden agree as follows

1. Unless otherwise agreed to in writing, the infringing party referred to herein, and the subject of the enforcement proceedings, is eBay, Inc. (the "Infringing Party"), a California corporation, currently in the business of conducting online auctions at [www.ebay.com](http://www.ebay.com). This agreement does not apply to any other infringer, potential licensee or third party.
2. Aden and MercExchange hereby agree to share in the costs and expenses of any enforcement proceedings involving

the MercExchange Patents against the Infringing Party, with Aden paying nine-tenths (9/10ths) of those costs and expenses and MercExchange paying one-tenth (1/10th) of the costs and expenses, subject to the terms and conditions of a Representation Agreement entered into by and between Hunton & Williams, MercExchange and Aden, and attached hereto as Exhibit A.

3. Aden and MercExchange, consistent with their mutual interest in enforcing the MercExchange patents, agree to share in the proceeds of any recovery against the Infringing Party, whether by license, settlement, compromise, judgment, award or contract under the following schedule: Aden will receive 22% (twenty-two percent) of any recovery, but only after actual attorney's fees incurred in the enforcement proceedings are paid in full to counsel for MercExchange pursuant to the Representation Agreement (but before any "success factor" paid under that agreement), with MercExchange to receive the balance of any recovery, or 78% (seventy-eight percent) of the proceeds.

4. Aden agrees that MercExchange has the full and unilateral authority to settle or not settle any litigation that may form a part of the enforcement proceedings against the Infringing Party under this agreement. MercExchange, however, agrees to confer with Aden before entering into any settlement agreement.

5. Aden and MercExchange acknowledge that patent litigation can be an uncertain and time consuming endeavor, and there can be no assurance of a favorable outcome from any enforcement proceedings contemplated hereunder.

6. Aden and MercExchange further agree that the funds advanced under this agreement are unsecured and that any recovery can only come from the proceeds of the enforcement proceedings against the Infringing Party, and that no lien

against MercExchange or Aden, their members, officers or directors can arise from this agreement.

7. The parties further agree that any dispute that may arise from this agreement shall be subject to binding arbitration pursuant to the rules of the American Arbitration Association. Arbitration of any dispute arising hereunder shall be conducted at a mutually agreed upon location in Alexandria, Virginia.

???? This agreement is subject to the laws and jurisdiction of the Commonwealth of Virginia.

9. This Agreement may be executed in parts and via facsimile device.

Aden Enterprises, Inc.

/s/Michael S. Luther  
MICHAEL S. LUTHER  
President and Chief Executive Officer

MercExchange, LLC

/s/Thomas G. Woolston  
THOMAS G. WOOLSTON  
Managing Member

**EXHIBIT C**

**eBay Inc. v. MercExchange L.L.C.-USSC JA 310-11**

**Excerpt From eBay's Memorandum in Support of eBay and Halfcom's Motion in Limine  
No. 2**

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
NORFOLK DIVISION

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Civil Action No. 2:01cv736

-----  
MERCExchange, L.L.C.,                      Plaintiff,

v.

EBAY, Inc., HALF.COM, Inc., and  
RETURNBUY, Inc., Pennsylvania Corporation,  
Defendants.

-----  
MEMORANDUM IN SUPPORT OF  
EBAY AND HALF.COM'S MOTION IN LIMINE No. 2:

-----  
MOTION TO EXCLUDE EVIDENCE OF  
MERCExchange'S SELF-DEALING LICENSE  
"AGREEMENTS" WITH ADEN ENTERPRISES,  
LEFTBID.COM, AND NAVLET.COM AS PROOF OF  
VALIDITY AND "DAMAGES."

-----  
FILED UNDER SEAL  
THIS DOCUMENT CONTAINS MATERIAL THAT HAS  
BEEN DESIGNATED CONFIDENTIAL IN THIS  
ACTION RESTRICTED DOCUMENT-FILE SUBJECT TO  
COURT ORDER. THE PAPERS IDENTIFIED ABOVE  
AND CONTAINED IN THIS ENVELOPE HAVE BEEN  
DESIGNATED AS CONFIDENTIAL MATERIALS, ARE  
SUBJECT TO A PROTECTIVE ORDER ISSUED BY  
THE COURT, AND MAY NOT BE EXAMINED,  
DISPLAYED, REVEALED, OR COPIED EXCEPT BY  
THE COURT, OR PURSUANT TO COURT ORDER.

- Third, the purported licenses were signed after M r. Woolston--a patent attorney with full knowledge of how infringement damages are calculated-- resolved to sue eBay. In fact, one of the "agreements" was entered only after MercExchange and Aden contracted to share in the proceeds from the present lawsuit. Not surprisingly, MercExchange now relies on these purported agreements and their artificially inflated terms as the centerpiece of its damages case.

Despite these undisputed facts, MercExchange plans to offer the agreements as "objective evidence" that the patents-in-suit are valid, and relies upon them as a basis for calculating the damages it seeks. The agreements carry no probative value on either point, and instead may confuse the jury and have an unduly prejudicial effect. Like the sham ReturnBuy "confession" and license (See Defendants' Motion in Limine No. 1), the "Aden family" agreements are manufactured evidence, with litigation in mind. Thus, the Court should exclude any reliance on the Aden, Navlet, and Leftbid licenses as proof of validity or damages.

## II. BACKGROUND.

A. M r. Woolston was a high-ranking executive and co-owner of Aden, Navlet, Leftbid, and MercExchange.

In 1995, Pierre Omidyar, an engineer, and Thomas Woolston, a patent lawyer, had two fundamentally different views of how to run an Internet business. Over several months, M r. Woolston spent his spare time writing a patent application describing a cumbersome trusted intermediary system. In less than a week, M r. Omidyar wrote the software for a person-to-person auction system that became eBay. In November 1995, as M r. Omidyar's system was growing in popularity, Woolston rewrote and refiled his application with the Patent Office.



While M r. Om idyar's person-to-person auction site was becoming one of the world's most respected e-commerce businesses, Woolston attempted to partner with M C I WorldCom.<sup>1</sup> M cFarland Decl. Ex. 1 (e-mail from T. Woolston to R. Smith at M C I (Jan. 15, 1996))).

WorldCom rejected Woolston's proposal, as did a series of venture capitalists, travel agencies, web developers, antique dealers, art retailers, and George Mason University. See, e.g., M cFarland Decl. Exs. 2-4 (Letters from T. Woolston to Washington Antique Center (June 1, 1998); to Wavelynx, L.L.C. (June 20, 1997); and George Mason University (Nov. 14, 1997))).

In early 1999, M r. Woolston and his company, MercExchange, finally found a partner in Michael Luther and his company. Aden Enterprises, an Omaha, Nebraska holding company. M r. Woolston and M r. Luther entered into an agreement through which Aden and MercExchange obtained twenty-five and ten percent ownership interests in one another. M cFarland Decl. Ex. 5 (Letter from M. Luther to T. Woolston (Jan. 19, 1999))).

Aden and MercExchange planned to sue eBay, ultimately entering a "Patent Enforcement Agreement" to jointly fund, and share in any recovery from, any patent infringement action against eBay. M cFarland Decl. Ex. 6 (Patent Enforcement Agreement by and between MercExchange, L.L.C. and Aden Enterprises, Inc.)).

Thereafter, Aden formed two subsidiary dot-com companies, Leftbid and Navlet, creating the "Aden Family" of companies, including: (1) Aden Enterprises, (2) Leftbid.com, (3) Navlet.com, and (4) MercExchange. Few of the individuals involved understood the "nebulous" web of companies, and

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<sup>1</sup> WorldCom's less successful history may be reviewed at [www.worldcomstockfraud.com](http://www.worldcomstockfraud.com) and [www.worldcomenrloveweek lawsuit.com](http://www.worldcomenrloveweek lawsuit.com).

**EXHIBIT D**

**eBay Inc. v. MercExchange L.L.C.-S.Ct. JA 588-89**

**Excerpt From The Trial-Opening Argument of eBay (April 24, 2003)**

government. That you can get a patent, but the only way you can get a patent is if you describe how to build it. You have to teach those of ordinary skill in the art how to build this new thing that you have now created. Mr. Woolston didn't do

\* \* \* \*

[292] Goodwill or Salvation Army on your own, some old clothes or something like that and go down and deliver it, would you then say that—and someone came in and bought a pair of jeans for two bucks or something like that, would you say that the Salvation Army and Goodwill searched your home for those jeans that particular item? No, you wouldn't. Well, that's what's happening in this case.

Half.com is provided a host of information by third parties. Third parties deliver to Half.com information. Half.com takes that and puts it in their database, okay, and then a user comes along and says, I'd like an AM/FM radio. Half.com says, Here it is, it's in my database, there you go. Has Half.com conducted a search of a plurality of these other databases for that item? No, of course not. Just like the Salvation Army or Goodwill didn't do a search of your house for those pair of jeans that you dropped off with dresses and other things. They didn't do a search of your house. It's just not the same thing. It's completely different. And that's going to be an issue that you will decide in this case.

There was a mention about a meeting between eBay and MercExchange. MercExchange approached eBay and wanted to there was a lawsuit going on between eBay and another company called Bidders Edge, and it was over whether or not Bidders Edge could search eBay's site, and eBay said, no, we don't want you searching our site, you are clogging our network.

[293] So there was a lawsuit between eBay and Bidders Edge, and MercExchange heard about it. And MercExchange came to eBay and said, hey, maybe we can swap. You know,

maybe you can take this '176 patent. It will help you out in that lawsuit.

There is a gentleman named Mr. Phillips who is Mr. Woolston's friend. He's an attorney. He's a co-owner of MercExchange, and he also happened to be an old classmate of someone that worked at eBay. So he called this guy up at eBay and said, hey, we've got a patent, maybe we could help you out with this Bidders Edge case. And there is some correspondence between MercExchange and eBay about that. That call and that communication took place between eBay and MercExchange before any communications with the lawyers.

Mr. Woolston testified in his deposition that what he wanted to do with respect to that meeting was he wanted to horse trade. He thought that maybe he could provide some intellectual property rights to eBay and that eBay would provide some intellectual property rights to him, to allow him access to eBay's site or something like that. But he clearly understood that that eBay-Bidders Edge decision was about whether or not third parties could come onto your Web site, and he had a patent that he thought allowed that, and so he wanted to discuss that.

At the time of this meeting—a couple of things

\* \* \* \*

[304] Q. Do you have any children?

A. Yes. I have a daughter, Georgia. She's almost

THE COURT: Mr. Woolston, I think if you move the mic back, you might be able to sit back and be more comfortable. I don't know, it's up to you. But you're kind of sitting there at the edge. So however you want to do it, that's fine.

THE WITNESS: That's better.

**EXHIBIT E**  
**eBay Inc. v. MercExchange L.L.C.-S.Ct. JA 669-70**  
**Excerpt From the Trial-Testimony of Woolston (April 25, 2003)**

Q. Well, in the complaint you stated that LeftBid has breached the LeftBid license by, inter alia, which means among other things, failing to pay royalties, failing to maintain reports of gross transactions and failing to comply with the nexus requirement of the LeftBid license, right?

A. Is that the letter I wrote to them terminating the license?

Q. I'm talking about the complaint. Paragraph 25.

A. I would need to see it.

MR. RANDALL: I'll accept a stipulation if—I [578] mean

MR. STILLMAN: Sure. Anything.

THE COURT: Okay.

MR. RANDALL: Well, Your Honor—

BY MR. RANDALL:

Q. Your counsel has just stipulated that one of the reasons why you sued LeftBid, as stated in your complaint, was that they failed to satisfy this nexus requirement of the LeftBid license.

A. Right. They were not building the '265 or the '176 patented system, they were building their own, they were building a live bidding system that had nothing to do with the patent.

Q. And you believe they were required to build the '176 or the '265 system under that license agreement, right?

A. The license required them to do it, but you couldn't, you, I couldn't make LeftBid do it. LeftBid had its own business. It was doing its own niche. It was pursuing—

Q. In January of 2000 you entered into an agreement between MercExchange and Aden to jointly fund and share the proceeds of a lawsuit against eBay, correct?

A. What's the date?

Q. January 7, 2000.

A. That sounds about like the time we were going [579] through to enforce the patents, yes.

Q. Well, you actually formed an agreement. You entered into an agreement with—

A. Aden. Yes, I agree.

Q. Right?

A. Yes.

Q. In January of 2000, MescExchange and Aden entered into an agreement to share the costs and share the proceeds—

MR. STILLMAN: That's the third time he's asked that question.

THE COURT: It is. Just go on, Mr. Randall, please.

BY MR. RANDALL:

Q. Okay. Do you believe that eBay infringed at that time, in January of 2000?

A. The patent we were going to enforce against eBay in January 2000 had not yet issued. We had received an indication from the Patent Office it was going to issue. That was the '051 patent, that eventually issued as the '051 patent. Yes, that they infringed that patent that subsequently issued, and we believed eBay infringed it.

THE COURT: Next question?

MR. RANDALL: Okay.

BY MR. RANDALL:

[580] Q. That patent's not in this lawsuit, is it, sir?

A. No.

Q. After you left the Aden family of companies you tried to sell your patents, correct?

A. Yes.

Q. You tried to sell them to AuctionWatch, correct?

A. No.

Q. Did you ever send a letter to AuctionWatch asking them to negotiate some sort of an arrangement with you?

**EXHIBIT F**

**eBay Inc. v. MercExchange L.L.C.-S.Ct. JA 671-75  
Excerpt From the Trial-Testimony of Woolston (April 25, 2003)**



- A. Yes, I think we did.
- Q. And nothing happened to that, right? No agreement was reached?
- A. No.
- Q. Okay. And you also sent your patents to MySimon, correct?
- A. No.
- Q. AuctionWatch didn't buy your patent, did they?
- A. No.
- Q. They didn't license them?
- A. No.
- Q. You never sent a notice letter of any sort to MySimon?
- A. No.
- Q. How about DealTime, did you ever send any of your patent to DealTime?
- [581] A. No.
- Q. How about Bidder's Edge, did you ever send your patents to Bidder's Edge?
- A. I called the principal of Bidder's Edge.
- Q. And they didn't buy or license your patents either, correct?
- A. They'd been put out of business by eBay.
- Q. They didn't buy your license your patents, did they?
- A. No.
- Q. In the spring of 2000 when you were working at Navlet, you were working on a system that would crawl other web sites, correct?
- A. It was a lot more complicated than that.
- Q. Well, when I say—do you understand what I mean when I say "crawl a website"?
- A. No.
- Q. Okay. You were working on a system at Navlet that would allow it to enter another company's website and retrieve information, correct?
- A. Among other things, yes.

Q. And you wanted at that time, in the spring of 2000, the Navlet system to be able to enter eBay's website and extract information, right?

A. Yes.

[582] Q. And you knew that eBay and Bidder's Edge were involved in a lawsuit, right?

A. Yes.

Q. You knew that eBay was trying to keep Bidder's Edge from entering eBay's website and extracting information, right?

A. Yes.

Q. And you thought what Bidder's Edge was doing was covered by your patent, your '176 patent, right?

A. Yes.

Q. Your lawyer, John Phillips, approached eBay and told eBay that perhaps it could use your patent against Bidder's Edge in the lawsuit, right?

A. I don't know if that was the approach. What I know is that Mr. Phillips was put into contact with

Mr. Monahan and Brett Healy—I believe he's sitting over there—about potentially buying the '176 patent, yes.

Q. You were sitting—you were there while Mr. Phillips was deposed, correct?

A. Yes.

Q. In this case?

A. Yes.

Q. You sat through the deposition and watched it, right?

A. Yes.

[583] Q. Take any notes?

A. No.

Q. Okay. Do you remember Mr. Phillips testifying that he initiated contact with eBay; specifically he contacted an ex-classmate Todd Cohen. Do you recall that testimony?

A. Yes. Todd Cohen and John Phillips went to law school together.

Q. All right. And do you recall Mr. Phillips testifying

that, in fact, he contacted Mr. Cohen and talked to him about the Bidder's Edge case?

A. No, but that makes sense.

Q. You don't recall that testimony?

A. No.

Q. Do you recall the testimony from Mr. Phillips that, that he contacted Mr. Cohen at eBay before there was any contact between eBay's lawyers and MercExchange?

A. Yes. That makes perfect sense, because the '176 patent had not issued at the time, so Mr. Monahan and Mr. Handler would have no reason to contact us unless they knew about it. So they knew about it from somewhere, and it hadn't issued yet. So they must have known about it from—

Q. All right. So the first contact between MercExchange and eBay relating in any way to your patents was Mr. Phillips contacting eBay and talking to Mr. Cohen, [584] his former classmate, about this Bidder's Edge case, right?

A. Yes. And then—

Q. But—

A. —the way I understood at the time, then we got contacted by eBay that said they were interested in buying the patents.

Q. I wasn't asking you about that, I was just asking about the initial contact.

But at the time Mr. Phillips contacted eBay, he didn't mention anything about any alleged infringement by eBay, right?

A. I don't know what he said.

Q. Well, you were sitting in there in his deposition?

A. I don't think he said he recalled what he said. I don't recall what he said in his deposition.

MR. RANDALL: Your Honor, may I refresh his recollection with respect to that issue? It's an important issue in this case, and I've just got a couple clips to play.

THE COURT: No, I don't think that's appropriate to show another person's deposition to refresh his deposition about what he said in the deposition.

MR. RANDALL: But he was there.

THE COURT: I know he was there, but . . .

MR. RANDALL: Okay.

[585] BY MR. RANDALL:

Q. Do you recall that yesterday you testified that, because eBay knew what your patent application numbers were, that somehow they must have done their homework?

A. Yes.

Q. Do you recall that?

A. Yes.

Q. And you suggested that perhaps they had found this foreign patent application of yours; is that right?

A. They must have found the license agreement we had with Aden off of EDGAR, because they had our serial numbers. Our foreign application wouldn't have our patent application serial numbers.

Q. Well, you're a patent lawyer. You understand that you can get related patent application numbers from the Patent and Trademark Office, right?

A. No, I'm not an expert on Patent Office procedures, and I don't believe that's true.

Q. You don't, you don't know that you can contact the Patent and Trademark Office and go on their web site and find out what the related patent application numbers are? Nothing else, just the numbers?

A. No.

Q. And you didn't know that yesterday when you suggested that maybe we, that eBay found out about these [586] numbers through some other means, right?

A. Maybe they did.

THE COURT: Good time to take a break?

MR. RANDALL: Sure.

(Jury left the courtroom.)

THE COURT: How you doing, Mr. Randall? Are we going to finish?

MR. RANDALL: Probably not. But certainly the majority of what I've got by today, and maybe just a short, short examination on Monday morning. But I'm . . .

THE COURT: Okay. It's your case.

MR. STILLMAN: I know this is a waste of time, but I've got a big problem. Mr. Randall called me, left a voice mail last night, and I'm not criticizing, because I understand these things are difficult to plan, but said that he thought he'd be finished by lunch or shortly after lunch, and we brought our expert witness in this afternoon who cannot be here on Monday. Is there any chance that we could put him on—he's a short witness—out of order?

MR. RANDALL: Your Honor, what I said—

Mr. Stillman asked me yesterday --

THE COURT: I can't hear you.

MR. RANDALL: I'm sorry.

Mr. Stillman asked me yesterday if I was going to take the full day today. And originally I said yes, I think

\* \* \* \*

[589] jurors about the Friday traffic. And Mr. Stillman lives in this area, as some of the other lawyers do, but Mr. Randall, you don't, and this is an extremely unusual situation today. So I told Mr. Johnson to tell them that—and I'll tell them when they come out here—we're going to break at 10 minutes to 5:00, because once five o'clock starts, especially

**EXHIBIT G**

**eBay Inc. v. MercExchange L.L.C.-S.Ct. JA 688-89  
Excerpt From the Trial-Testimony of Woolston (April 28, 2003)**

THE DEPUTY CLERK: Judge, for clarification, on the list it's D168 and you said 68. Is the list correct? Is it supposed to be 168?

THE COURT: 168 according to what I have.

THE DEPUTY CLERK: I just wanted to make sure.

MR. RANDALL: Yes, it's 168.

(Defendants Exhibits as recited were received.)

THE COURT: And we didn't call the roll, but everyone agrees that everyone is here?

MR. STILLMAN: Yes.

MR. RANDALL: Yes.

THE COURT: Thank you. Go ahead.

# CROSS-EXAMINATION

BY MR. RANDALL: (Cont'd)

Q Mr. Woolston, we talked about last Friday your various business plans for your company Fleanet, correct?

A We talked about the business plans, yes.

Q I would like you to look at Defense Exhibit 381. I'm sorry. This is a—381 is the patent enforcement agreement that we talked about between Aden and MercExchange in which Aden and MercExchange agreed, I believe, on January 7, 2000 to sue eBay, and this is the agreement; is that right?

A Can I take a look at it?

Q Yes. Absolutely.

[640] A Go down to the bottom. All the way. Yes, this is my signature. It looks like the enforcement agreement.

MR. RANDALL: I'll move Exhibit 381 into evidence, Your Honor.

MR. STILLMAN: Could you look at your pretrial order? My page has bled off with respect to the court's rulings on that.

THE COURT: 381?

MR. STILLMAN: Yeah. I can't tell.

THE COURT: I'll be able to tell very quickly.

MR. RANDALL: Should be 00.

THE COURT: It's 00. It's admitted.

MR. RANDALL: Thank you.

(Defendants' Exhibit 381 was received.)

BY MR. RANDALL:

Q We also discussed your business plans, correct, Mr. Woolston?

A Fleanet business plans.

Q If you can pull up Defense Exhibit 53, please. MercExchange LLC, that's your company, correct?

A Yes.

Q And that's the address of your company listed on this cover page of Defense Exhibit 53, correct?

A No.

Q It was at one time, correct?

[641] A Yes.

Q Move to the next page. Is this a business plan or draft of a business plan produced by MercExchange? When I say that, I'll direct your attention to the bottom right-hand corner where it says ME, indicating a MercExchange production document.

A Yes. This is either a draft or a final that was produced, yes.

MR. RANDALL: Your Honor, I move Defense Exhibit 53 into evidence.

MR. STILLMAN: I'm sorry. Does that document have a date on it?

THE WITNESS: No.



**EXHIBIT H**  
**eBay Inc. v. MercExchange L.L.C.-S.Ct. JA 742-45**  
**Excerpt From the Trial-Testimony of May (April 30, 2003)**

MR. STILLMAN: I can't see because my page is cut off in the pretrial order. I don't know what—

[1102] THE COURT: It's okay.

(Defendants' Exhibit 405 was received.)

BY MR. RANDALL:

Q This is the end of Exhibit 405, which was a resolution by MercExchange, and it is signed by the three MercExchange board members that were present at the meeting, correct?

A Yes.

Q And the signatures are as follows: Tom Woolston, Michael May, and John Phillips, correct?

A Right.

Q And you all agreed, did you not—and can you blow that language up? It says, "The undersigned managers waive the requirements of Notice of Meeting as required to hold a meeting of the MercExchange Board of Managers for the meeting being held October 15, 2000." Do you see that?

A Uh-huh. Yeah.

Q What other individuals were members of the board at that time?

A I think that would be—we'd be the only members of the board at that time, board managers.

Q Let me direct your attention to Exhibit 404. Can you pull it up? Do you recognize this, sir, as—if you can blow up the first paragraph of that—as minutes of a meeting of the Board of Managers of MercExchange? And this board meeting was held on June 14, 2001. Do you see that?

[1103]A Yes.

Q You were a member of the board at that time, correct?

A Yes.

Q And so was Mr. Woolston, Mr. Phillips, correct?

A Yes.

Q And this document memorializes what happened t that  
boarding meeting, correct?

A Yes.

MR. RANDALL: Your Honor, I would move Exhibit 404  
into evidence.

THE COURT: 404 is admitted.

(Defendants' Exhibit 404 was received.):

BY MR. RANDALL:

Q Who else was a member of the board at that time?

A I think we were the only members of the board  
managers

Q Now, is this about the time, June of 2001, that  
MercExchange decided to redirect its efforts from trying to  
build a business to licensing?

A No. This was some months after that.

Q After this date, did MercExchange ever attempt to  
resurrect this effort to build a business?

A After the 2001 date?

Q Yes.

A No.

Q And when you talked on direct about MercExchange's  
[1104] attempts to kind of 'build this business, you are not  
aware of any attempts on behalf of MercExchange to build a  
business between 1995 and 2000, correct?

A Would you repeat that?

Q Your testimony was that sometime in 2000 there was  
some effort by MercExchange to build this business and  
create software, right?

A Well, I believe my testimony was that they were  
continuing an effort that had started in '80 (sic). So yeah,  
there was an effort going on, but that effort had begun in  
1999.

Q And, I'm sorry, if I forgot. Were there any other board members at this time in June of 2001?

A I don't believe so, no.

Q this board meeting—and I direct your attention to the fourth paragraph down where it says, "The first order of business. The first order of business was to review and approval of Resolution 1, ratifying the company's agreement to settle its litigation with Goto.com," correct?

A Yes.

Q That settlement had already occurred by the time you had this meeting, correct?

A Yes.

Q And so the board was basically approving something that Mr. Woolston had done already, correct?

[1105] A Ratifying it, yes.

Q Means approving?

A Approving.

Q Right.

A After the fact.

Q Right. The next paragraph states, "A motion was made to approve Resolution 2, authorizing the company to further investigate, and if deemed necessary, to initiate legal action against Auction Watch for infringement of the '176 patent." Do you see that?

A Yes.

Q It was passed by unanimous vote, correct?

A Yes.

Q So at that time you wanted to sue Auction Watch, right?

A We wanted to determine if it made sense to sue Auction Watch.

Q Would you scroll down to about the middle of—this paragraph that we see here, where it starts—the paragraph starts, "Mr. Woolston presented a summary of the proposed budget for the company for the remainder of the calendar year." Do you see that?

A Yes.

MR. RANDALL: Can you blow up from starting in the middle of that subparagraph where it says, Each nonemployee manager? Just go all the way down. There you go.

\* \* \* \*

[1107] salaried officers and employees, shall be eligible to receive bonuses. These bonuses, if any, are to be tied to the success of the company in its licensing activities." Do you see that?

A Yes, I do.

Q And that means that if you are successful in litigation against eBay or whomever else for licensing, you all get a cut of the pie, right?

A Yes.

Q And in this instance, based on the Goto.com settlement, Mr. Woolston received \$2.1 million to take home, correct?

A Well, that was what we agreed to pay. I don't know that it was actually distributed that way.

Q You don't know if that was distributed?

A Not in that manner I don't think it was.

Q You don't think so?

A But that was our intent certainly at the time of this meeting to do that.

Q So your intent at this meeting was, based on the Goto.com settlement, was to pay you \$250,000, pay Mr. Phillips \$250,000, and pay Mr. Woolston \$2.1 million, correct?

A Correct.

Q And, in fact, other former members of the company, Mr. Bartlam and Mr. Matney, accused Mr. Woolston of fraud and accused you and Mr. Phillips of breaching their fiduciary duties in arriving at these resolutions, correct?

\* \* \* \*

**EXHIBIT I**

**eBay Inc. v. MercExchange L.L.C.-S.Ct. JA 133-36  
Excerpt From the Deposition of Luther (June 20, 2002)**

A. Speculating. Just speculating. As I said, I don't know whether we offset money that was owed or what.

Q. Did you read paragraph 15 before you executed the exhibit asked as--

A. Yes.

Q. -- Exhibit 10?

[115] A. Yep.

Q. So pursuant to paragraph 15 of Exhibit 10, Aden was purchasing ten percent ownership of MercExchange?

A. Yep.

Q. In consideration for two notes payable in the amount of \$4 million?

A. Um-hum.

Q. Why, on October 28, 1999, was Aden going to pay \$3.75 million more than it was obligated to pay for the same ownership interest in MercExchange pursuant to the January, 19th, 1999 agreement?

A. That's a good question. I don't recall. That's a good question.

Q. You don't recall any reason whatsoever?

A. Except that I-- I guess we-- we felt that-- that Tom Woolston and MercExchange had-- had an opportunity to help our Company immensely, and I think that there was-- part of it was just qualitative, was just recognizing the value of their role, which seems to be kind of odd. But I believe that was the genesis of it.

Q. And that role was a role that had expanded between January 19th, 1999 and October 28th, 1999.

A. Right, yeah.

\* \* \* \*

[141] Q. -- document asked as Exhibit 12?

A. No.

MR. HENDERSHOT: I'd like to mark as Exhibit 13 a complaint in the U.S. District Court for Nebraska filed by Aden Enterprises against MercExchange, LLC.

Deposition Exhibit (Luther) 13, complaint filed in the U.S. District Court for Nebraska filed by Aden Enterprises against MercExchange, LLC, marked for identification, as of this date.) Document placed before the witness.)

Q. Do you have Exhibit 13 in front of you, Mr. Luther?

A. Yes.

Q. Would you take a moment to review it for me. (A pause in the proceedings.)

A. Okay.

Q. Would you refer to paragraph 6 of the complaint. Do you see paragraph 6, Mr. Luther?

A. Yes.

Q. Paragraph 6 reads, "On or about January 7th, 2000, the plaintiff," being Aden Enterprises, "Through its president and chief executive officer, entered [142] into a patent enforcement agreement." Does this refresh your recollection as to when you executed the patent enforcement agreement marked as Exhibit 12?

A. I think that's what I said, didn't I?

Q. I think— I think you presumed that you executed it on January 7th based on the date of the option agreement referred to therein.

A. Oh.

Q. Does Exhibit 13 refresh your recollection as to when you executed the patent enforcement agreement marked as Exhibit 12?

A. I'm — I'm inferring it was January 7th, 2000.

Q. I direct your attention back to Exhibit 12, the patent enforcement agreement. Would you read paragraph 1 for me.

A. "Whereas MercExchange LLC ('MercExchange') believes that it has claims arising under the patent laws of the United States—"

Q. I don't mean to interrupt, Mr. Luther, but the paragraph numbered 1.

A. "Unless otherwise agreed to in writing, the infringing party referred to herein on the subject of the enforcement pro-



ceedings is eBay, Inc., the [143] infringing party, a California corporation, currently in the business of conducting-- "

Q . That's good enough. I just want to identify eBay. If I could direct your attention to paragraph numbered 2 on the first page of Exhibit 12, it provides that, "A den and MercExchange hereby agree to share in the costs and expenses of any enforcement proceedings involving the MercExchange patents against the infringing party with A den paying nine-tenths of those costs and expenses and MercExchange paying one-tenth of the costs and expenses." Do you see that?

A . Yeah.

Q . So prior to January 7th, 2000, had you reached an agreement with MercExchange, and "you" being-- you acting in your capacity as CEO of A den-- to bring suit against eBay whereby A den and MercExchange would share in the costs and expenses of the proceeding?

A . Well, as evidenced by this contract that-- that certainly is what we agreed to do.

Q . I would direct your attention to paragraph 3, which states, "A den will receive 22 percent of any recovery," do you see that?

A . Yes.

[144] Q . Is that consistent with your understanding of the agreement on January 7th, 2000, that A den would receive 22 percent of any recovery--

A . Yes.

Q . -- had from eBay?

A . Yes.

Q . So on January 7th, 2000, A den Enterprises entered into an agreement with MercExchange marked as Exhibit 12 whereby A den would share in the costs and expenses of the suit against eBay based on Mr. W oolston's patents and A den would receive 22 percent of any recovery; is that correct?

A . That's right.

Q. Do you recall if Aden and MercExchange ever entered into a contract similar to the one marked as Exhibit 12 where a party other than eBay was named as the infringing party?

A. Yeah, I believe that-- I believe Priceline was the first initiative, and I don't recall whether that was contractual in nature or not. But in the travel sector, and in the auction sector, those were two places that there were infringement issues.

Q. So other than Priceline and eBay, were there any other third parties that were identified as an

\* \* \* \*

[156] A. Aden didn't hold any of Aden's shares? Aden-- the parent company wouldn't have held any of the Aden shares. It would have been third parties that held the shares.

Q. How many of the few hundred million shares of Aden stock were available for trading to retail investors in January of 2000?

A. Quite a few. I'm speculating. And the number changed. Certainly tens of millions.

Q. In January of 2000, was Thomas Woolston still employed by Aden Enterprises?

A. January of 2000, I'm assuming so.

Q. To your knowledge, in January of 2000, was Thomas Woolston still president of Navlet?

A. Yeah, I believe so.

Q. And chief technology officer of Aden?

A. Right.

Q. And chief technology officer of Leftbid?

A. I'm assuming that time period that he would have been in that position in those companies.

Q. And on January 24th of 2000, did Aden Enterprises own an interest in MercExchange?

A. Whether-- whether the securities were held or we had a contract for those shares, yes.

Q. Prior to January 24th, 2000, MercExchange [157] held shares of Aden Enterprises, is that correct?

A. Either by contract or physically, yes.

**EXHIBIT J**

**eBay Inc. v. MercExchange L.L.C.-S.Ct. JA 681-82  
Excerpt From the Trial-Testimony of Woolston (April 25, 2003)**

BY MR. RANDALL:

Q. There was no way, at least as you understood it, for eBay to have known at that time that you had planned to sue eBay in January of 2000, correct?

A. January of 2000. Was there any way for me to have known that eBay knew that we planned to sue eBay in January 2000? Is that the question?

Q. Right.

A. No. That was public record. eBay may very well have known that.

Q. Your agreement with Aden Enterprises in January of 2000 that you had an agreement to sue eBay, that was public knowledge?

A. Yes. It was laid open in the suit between Aden and MercExchange. It was made public. Part of the public record.

Q. When eBay and MercExchange were having these various exchanges, MercExchange never said in any one of those communications that we've gone through that eBay [597] infringes any of these patents, right?

A. You didn't infringe—eBay did not infringe the '265 patent and the '176 patent at our meeting. They did infringe the patent that subsequently became the '051 at that meeting, but we never made the charge of infringement because eBay wasn't infringing the issued patents at that time.

Q. MercExchange never communicated to eBay in any way that eBay infringed any of its patents until you filed suit in this case, correct?

A. I don't know if that was the inference you would have taken from our meeting or not. That was the communication I had with eBay.

Q. When did you authorize suit in this case, sir?

A. Probably a couple months before we filed suit.

Q. And when was that?

A. Probably—well, I think we, this lawsuit got started in September.

Q. 2001.

A. Okay. So probably a few months before that.

Q. Okay. Prior to filing suit against eBay in September of 2001, you never communicated to eBay that it infringed any one of your patents, correct?

A. That's, yeah, that's probably correct.

Q. And you never Communicated to eBay that you had [598] this agreement with Aden Enterprises in January of 2000 to sue eBay, correct?

A. You might have had—you've got other documents out of that record, so I think you have it.

Q. No. We got those in discovery in this case, sir.

I'm asking you a question. Did you ever, before filing this lawsuit, did you ever inform eBay or have anyone on your behalf inform eBay that you and Aden had reached this agreement, this contract to sue eBay in January of 2000?

A. Probably not.

Q. Without full access to your patent file histories, no one would know about the rejections that the Patent Office had issued to your claims in the pending applications, correct?

A. I'm not sure if that's true or not.

Q. Well, the Patent Office application process is private, right? The public doesn't have access to what's specifically going on in the Patent Office, right?

A. You seem to have a way of figuring out what's going on at—

THE COURT: Just answer—no, no, no. He asked you a question. Don't ask him a question—

THE WITNESS: All right.

THE COURT:—or make a comment, just answer the [599] question. And then if you want to—

THE WITNESS: Yes, sir.

THE COURT:—elaborate on your answer, certainly you may do that.

**EXHIBIT K**  
**Article-“Ruling Prompts EBay To Revise Earnings”**



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## Ruling Prompts EBay To Revise Earnings

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*By Antha Reddy*

Washington Post Staff Writer

Tuesday, August 12, 2003; Page E05

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EBay Inc. revised its second-quarter earnings downward yesterday to reflect a \$30 million charge, a change that the company said was necessary because of last week's court judgment that said eBay owes a Virginia inventor \$29.5 million for patent infringement.

The online auction service now says it earned \$91.9 million (28 cents per share). On July 24, the company had reported earnings of \$109.7 million (33 cents). The company completed a 2-for-1 stock split since its initial earnings announcement, so second-quarter earnings per share are now 14 cents.

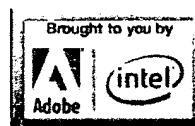
EBay had to take the charge because it must post a \$29.5 million bond while it appeals the case, said eBay spokesman Kevin Pursglove.

Thomas G. Woolston, an engineer from Great Falls, sued eBay in 2001 for willfully infringing his patents on a system to sell fixed-price goods online that included an automatic-payment system. In May, a jury decided in Woolston's favor and ordered eBay to pay Woolston's company, MercExchange LLC, \$35 million in damages. Last week, U.

- [eBay Inc.](#)
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—From FindLaw—  
 • Verdict (MercExchange, LLC v. eBay, Inc. and Hall.com, Inc.)

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S. District Judge Jerome B. Friedman lowered the amount of damages to \$29.5 million and did not prohibit eBay from continuing to sell fixed-price goods.

Both sides are appealing the case. eBay is seeking to reverse the judgment or to pay less in damages. MercExchange is arguing that eBay should pay more in damages, pay its attorneys' fees and be permanently barred from selling fixed-price goods.

"I don't think it's fully accurate," Woolston said, referring to the charge, noting that the judge said MercExchange can request more damages if eBay continues to infringe the patents.

In addition to appealing the decision, eBay may change the way it sells fixed-price goods to avoid paying damages to MercExchange, Pursglove said.

"We are giving serious consideration to modification of the fixed-price portion of our business that we believe would meet the directions of the court," Pursglove said. He added that the changes would be minimally disruptive for eBay users.

"This issue is a long way from being resolved," Pursglove said.

Woolston also said that he is confident MercExchange will eventually be able to sue eBay for infringing a patent related to online auction technology. A judge prevented MercExchange from suing on that basis last year.

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**EXHIBIT L**  
**Article-“eBay Must Relitigate Patent Injunction”**



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## eBay Must Relitigate Patent Injunction

By Kevin Kelleher

TheStreet.com Senior Writer

3/16/2005 6:15 PM EST

eBay's (EBAY:Nasdaq - news - research)

thorny patent-infringement tussle with inventor Thomas Woolston took another turn Wednesday as a U.S. federal appeals court issued a decision that, while substantially changing the previous ruling by a district court, leaves things as murky and uncertain as before.

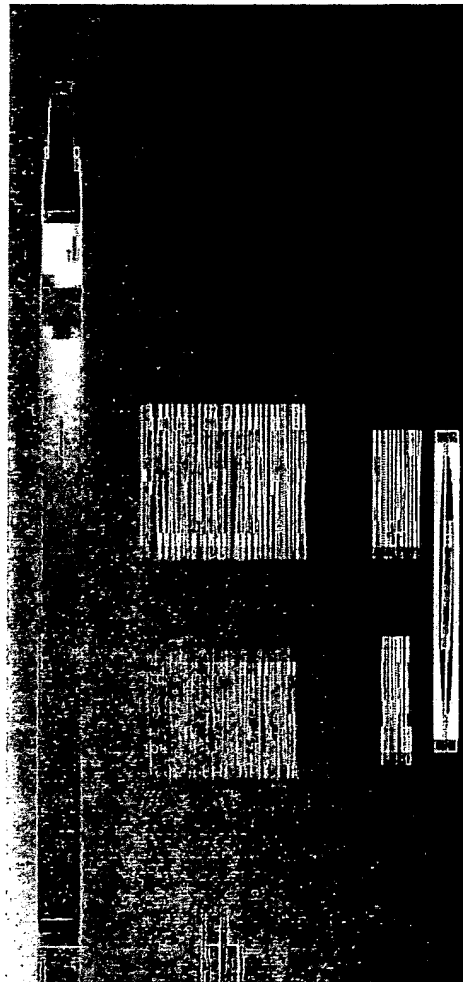
In short, the three judges on the appeals court cleared eBay of a portion of the \$29.5 million damages awarded to Woolston and his company MercExchange in 2003. But potentially more worrisome to eBay is the threat of a permanent injunction that the lower court denied. The appeals judges reversed that denial and remanded the case.

In September 2001, MercExchange sued eBay and its Half.com unit, alleging infringement of three patents relating to online auction technology, multiple database searching and electronic consignment systems. The following year, the district court dismissed the online-auction infringement claim.

In 2003, a jury ruled that eBay and Half.com infringed on the other two patents, awarding \$35 million in damages. The court set aside \$5.5 million of the award and denied MercExchange's motion for a permanent injunction.

On Wednesday, the appeals court agreed that the \$5.5 million award wasn't appropriate, and it also reversed the district court's judgment of another patent that was the basis of a \$19 million award. It's unclear how much of that award will remain intact. The appeals court affirmed an infringement ruling that was the basis of a \$10.5 million award.

In addition to reversing the denial of a permanent injunction, the appeals court vacated



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




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the 2002 summary judgment of the online-auction claim, opening the door to more patent-related litigation for the company

As was the case throughout the past three and a half years, the two companies saw the decision in starkly contrasting terms. MercExchange trumpeted it as a success of David vs. Goliath. "The appeals court drove a stake through the heart of eBay's claims," said Woolston, an engineer-turned-lawyer who once developed network technology to help the CIA track terrorists.

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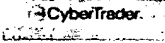
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## Tech Stocks : Internet

## eBay Must Relitigate Patent Injunction

Page 2

MercExchange, which says it once ran e-commerce and auction sites that went out of business, is licensing its patents to other companies like Ubid, a one-time eBay rival in which Woolston now controls an undisclosed stake. Asked if MercExchange would license its technology to eBay, Woolston gave an emphatic no. "I don't give a damn about what eBay does next," he says.

eBay, meanwhile, issued a statement downplaying any impact of the decision on its business. The statement said that an injunction "will not have an impact on our business because of changes we have made following the District Court's original verdict. The U.S. Patent and Trademark Office is actively re-examining all of MercExchange's patents, having found that substantial questions exist regarding the validity of MercExchange's claims. The Patent and Trademark office has already initially rejected all of the claims of one of MercExchange's patents."

Niether company would say whether it would further appeal the decision. MercExchange declined to say also whether it would pursue an injunction.

In terms of damages, the ruling is likely to have a slightly positive impact on eBay's earnings. In 2003, eBay took a \$30 million charge to post a bond while it appealed the case.

But an injunction could have a longer-term impact. The extreme scenario, although highly unlikely, is that an injunction could shut down eBay's servers until the case is resolved. More likely is the prospect of a daisy chain of costly legal battles around the injunction and the online-auction patent. At this stage of many patent cases, companies often choose to settle. But given the contentious nature of this lawsuit, a settlement seems unlikely.

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**EXHIBIT M**

**Declaration and Supplemental Declaration Filed Under 37 C.F.R. § 1.132 During the Prosecution of  
the '820 Application**

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant : Thomas G. WOOLSTON                      Art Unit: 2761  
Serial No.: 08/427,820                              Examiner: Weinhardt  
Filed : April 26, 1995  
Title : CONSIGNMENT NODES

Assistant Commissioner for Patents  
Washington, DC 20231



DECLARATION UNDER 37 CFR 1.132

I, Thomas G. Woolston, declare that:

1. I am the sole inventor of the subject matter described and claimed in the above-captioned patent application.

2. This declaration and the Exhibits attached hereto describe and evidence the long-felt need in the relevant industry, the constructive knowledge of those skilled in the art of the applied references, including Lindsey et al., Lalonde et al., Fujisaki, and Barstow et al., and the nexus of the claimed invention to solving the long felt need.

Long Felt Need in the Industry

3. A scattered and un-harmonized used and collectable goods industry has existed for many, many years. See Christie's "History" attached as Exhibit A at p.1 (Demonstrating that the need to buy and sell collections of used and collectable goods and an organization dedicated to selling these goods has existed for over 200 years).

4. The prior art market for used and collectable goods was created by a scatter-shot presentation of shows, auctions,

exhibits, specialty shops, catalogs, large collectors, intermediate dealers, "wholesale" dealers, and the occasional newspaper advertisement. See Christie's "How to Sell," Exhibit A at p. 5; see also, "New Interest In Things of Old," San Bernardino County Sun, Exhibit B at p. 2 (Stating the antique market "is very fragmented"); and U.S. Department of Commerce Report, Exhibit C (Providing that there are thousands of antique, collectable and used good shops).

5. Further demonstrating the prior art's fractious and static nature is the hard copy pricing guide. The hard copy pricing guide "gives a quick indication of [an item's] position in the [market]." Sotheby's International Price Guide, Exhibit D at Preface page undersigned by John L. Marion, Chairman, Sotheby's Inc.; see Exhibit D representative pages 144, 161, 172 and 175.

6. The prior art market, according to the Sotheby's International Price Guide, was based upon the collector "seeing the piece, holding it and examining it from all sides . . . [i]t is only then that the vital interaction between the collector and object the process of selection can begin." Exhibit D at Preface page (emphasis added). Thus, Sotheby's International Price Guide teaches that physical inspection of a collectable or one-of-a-kind good is required before the "process of selection can begin." Indeed, in Sotheby's view, the required physical interaction between the purchaser and the object demonstrates a fundamental point -- collectibles and one of a kind goods are NOT commodities and cannot be treated similarly.

7. In the prior art, professional intermediaries or "middlemen" speculated on collectibles by physically inspecting and purchasing the good and then finding, or knowing, a subsequent buyer for the good. This manual process allows these professional participants to operate as physical and information intermediaries in a relevant market. These professional participants perform as market "actors" whose business is dedicated to speculation on goods. The needs of the professional intermediary is hereafter referred to as the "speculation needs of the professional intermediary."

8. Collector themselves and/or the collector's estate to liquidate a collection at its fair market value. Naturally, collectors would like to obtain a fair market value for their collection when they decide to liquidate. See Christie's "Appraisal Service," Exhibit A at p. 5 (Demonstrating the demand for appraisal services and the collector's need for determining and obtaining a fair liquidation value).

9. The need to liquidate a collection also occurs when an estate executes the will of a decedent collector. See Christie's "Appraisal Service," Exhibit A at p. 5.

10. Thus, the need to liquidate used and collectable goods at close to their fair market value is a need that has been present as long as there have been collectors and decedent collector's estates (an extremely long felt need indeed). As further evidence of this long felt need, Christie's has an appraisal service dedicated to appraising decedents' estates.



11. Thus, in the prior art market, a collector or estate was forced to either exhaustively sell the collectable goods at shows themselves, consign the goods with a shop or dealer (and wait for a surreptitious buyer), and/or sell the goods at a premium discount to an intermediary professional or auction house. The need to liquidate quickly and at a fair market value is hereafter called the "liquidity needs of the collector."

Constructive Knowledge in the Relevant Industry of The Applied References

12. Market participants such as Christie's and Sotheby's are sophisticated commercial actors that support a financially sophisticated clientele. Indeed, the hallmark of the collectable industry is the investment grade collectable or work of art. Exhibit A, Christie's at p. 1, Exhibit D, Sotheby's price guide introduction at p. 1.

13. Clientele that purchase or collect investment grade collectibles or art have, by definition, great disposable wealth. Individuals with such disposable wealth are aware of the stock market in general and the automated exchanges provided by NASDAQ for buying and selling stock and the automated and semi-automated electronic exchange in commodities provided by the cotton trading system described in Lindsey et al. Indeed, at least some of these wealthy individuals made their fortune in the stock and commodities market.

14. In general terms, the desirability of liquidity in a market is demonstrated in The Wall Street Journal Article discussing how electronic settlement of trades is a

"revolutionary" and "radical" change in how the AMEX stock market operates. Exhibit E, Wall Street Journal Article.

Nexus of Claimed Invention to Long-Felt Need

15. The claimed invention directly address the speculation needs of the professional intermediary and the liquidity needs of the collector. The claimed invention provides an electronic market with electronic settlement that allows participants to speculate on used and collectable goods without taking physical possession of the goods themselves.

16. The electronic settlement feature of the claimed invention directly address the speculation needs of the professional intermediary by (1) creating a means for electronic trading of goods that provides for "pure" speculation and (2) creating an electronic means to reach a final purchaser to capitalize on the speculation.

17. The secondary market feature of the claimed invention directly address the liquidation needs of the collector by (1) providing a means for reaching professional intermediary dealers and (2) by providing liquidity at a current "market" value.

18. Indeed, in some aspects, the claimed invention has met with great commercial success and acclaim by those skilled in the art. See for example, that, E-Business Community Best Practices Trailblazer Award from the Alliance for Converging Technologies for the allegedly pioneering consumer-to-consumer online auction model by ebay Networks. Exhibit. F., ebay Press Release (Award granted by "a panel of Internet leaders"). Ebay further provides

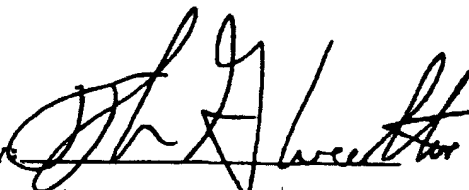
it commercial success in that shoppers spend more time on ebay than any other Electronic commerce sale.

By. I further declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application or any patents issued thereon.

Date:

8/12/98

By:

  
Thomas G. Woolston

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# 27

PATENT  
Attorney Docket No. 55422.000007**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES**

In re Application of: )  
THOMAS G. WOOLSTON ) Examiner: Robert WEINHARDT  
Serial No.: 08/427,820 ) Group Art Unit: 2764  
Filed: April 26, 1995 )  
For: CONSIGNMENT NODES )

**RECEIVED**  
MAR 18 1999**SUPPLEMENTAL DECLARATION UNDER 37 C.F.R. § 1.132** Group 2700

I, Thomas G. Woolston, declare that:

1. I am the sole inventor of the subject matter described and claimed in the above-captioned patent application.
2. This declaration and the Exhibits attached hereto supplement my September 14, 1998, declaration in the above captioned case with new evidence that has come to my attention of the commercial success and long felt need in the industry for the present invention.
3. More specifically, this declaration provides supplemental evidence of the overwhelming commercial success of aspects of the present invention in the systems and methods employed by others on the Internet. In addition, this declaration provides further new evidence that there *was long felt need in the industry*. This new evidence directly refutes the Examiner's unsupported contention that there is no long felt need in the industry.
4. The claimed invention's electronic market for used and collectable goods aspect has achieved great commercial success. The Internet now contains at least 150 systems dedicated at least in part to creating an electronic market for used and collectable goods. *See, Exhibit A*

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and B. The commercial success of this aspect of the invention is indeed "exploding." "Together, OnSale and eBay sold more than \$250 million in products in 1997 and expect to significantly contribute to the \$1 billion projected for 1998 online auction purchases." *See, Exhibit C, CNN Report on Online Auctions.* This massive commercial success for aspects of the invention's electronic market for used and collectable goods arose after Applicant's April 26, 1995, filing date. The success of this electronic market will further explode by the integration of the seamless re-posting of the good as described by the claimed invention. *See, further Exhibit C,* (Participants are "addicted" to online auctions already. Participants will be further addicted and intrigued by the ability to fully speculate on used goods and collectibles as specified by the claimed invention, i.e., participants will not only be able to seek "good deals" they will actually be able to make money by speculating in a safe and secure environment).

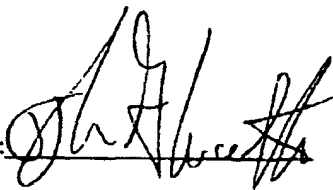
5. The formation of Sotheby's Internet Associates and the confirmed registration of more than 1500 art dealers demonstrates the long felt need in the industry for an electronic market for used and collectable goods. *See, Exhibit D, Press Release of Sotheby's Inc., Demonstrating that over 1500 dealers signed up for Sotheby's Online market in less than 30 days after the Sotheby's announcement that it would create an electronic market.* This rapid acceptance by the industry directly refutes the Examiner's belief that there is no long felt need in the industry for an electronic speculative market for used and collectable goods. *See, paper no. 24, p. 3, for the Examiner's contention that he does not believe there is "an art-recognized problem with the manner in which business is done [ in the used and collectable goods market]."*

6. The evidence of massive commercial success and long felt need in the industry is overwhelming. In the face of this evidence, there can be no reasonable inference that aspects of the claimed invention are not enjoying widespread commercial success. As further evidence of

the indicia of nonobviousness, the inventive concept of the claimed invention is and has been licensed to an Internet entity. *See, Exhibit E, License agreement between MercExchange, LLC and Aden Enterprises, Inc.*

7. I further declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of title 18 of the United States Code, and that such willful false statement may jeopardize the validity of the application or any patents issued thereon.

Date: 3/12/99

By:   
Thomas G. Woolston